

Message Text

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ACTION NEA-10

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CIAE-00 CIEP-01 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
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/113 W

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FM AMEMBASSY NEW DELHI
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INFO AMEMBASSY LONDON
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS
USDOC WASHDC

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DEPT PLEASE PASS TO USBURMINES

E. O. 11652: NA
TAGS: ENRG, EINV, IN
SUBJECT: GOI TAKEOVER OF ASSAM OIL CO. AND OIL INDIA LTD

1. WITH THE ACQUISITION OF CALTEX AT THE END OF 1976, THE GOI NOW HOPES WRAP UP NEGOTIATIONS BY MID-YEAR FOR THE TAKE-OVER OF THE PRIVATE SECTOR ASSAM OIL COMPANY (AOC) AND THE JOINT SECTOR OIL INDIA LIMITED (OIL) (50 PERCENT GOI, 50 PERCENT BURMAH OIL) ACCORDING TO AN AOC OFFICIAL. ALTHOUGH AOC IS ALSO OWNED BY THE BURMAH OIL GROUP OF THE UK, NEGOTIATIONS FOR THE TWO COMPANIES ARE BEING HANDLED SEPARATELY.

2. PRESS REPORTS HAVE INDICATED THAT THE GOI MIGHT OPT TO DILUTE BURMAH OIL'S 59 PERCENT EQUITY IN OIL IN VARIOUS PHASES TO PERMIT IT TO CONTINUE TO DRAW UPON THE COMPANY'S EXPLORA-
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TION AND PRODUCTION TECHNOLOGY. HOWEVER, THE AOC OFFICIAL STATED THAT BURMAH OIL WOULD PREFER A CLEAN SWEEP LIQUIDATING ITS HOLDINGS IN A SINGLE LUMP SUM SETTLEMENT. HE ATTRIBUTED THIS TO THE COMPANY'S TOTAL LACK OF SAY IN OIL'S OPERATIONS WITH RESPECT TO TECHNICAL, FINANCIAL OR MANAGERIAL MATTERS AND TO BURMAH OIL'S FINANCIAL POSITION. AT THE SAME TIME UPON FINALIZATION OF THE TAKEOVER, BURMAH OIL WOULD

CONSIDER SIGNING A TECHNICAL SERVICES AGREEMENT WITH GOI.

3. IN ADDITION TO OPERATING A PIPELINE NETWORK (NOW UNDER-GOING EXPANSION IN A LOOPING SYSTEM BETWEEN NAHORKATIYA AND BONGAIGAON TO INCREASE THE LINE'S THROUGHPUT) OIL IS THE LARGEST PRODUCER OF CRUDE IN EASTERN INDIA, WITH A PRODUCTION OF APPROXIMATELY 3.08 MILLION METRIC TONS (MT) PER ANNUM. WHILE PRODUCTION HAS REMAINED FAIRLY STABLE OVER THE YEARS, THE GOI IS ANXIOUS TO STEP UP THE OUTPUT TO 3.2 MILLION MT BY MID-YEAR FROM EXISTING WELLS BY SECONDARY RECOVERY METHODS USING POLYMER FLOODING. OIL HAS ALSO DISCUSSED WITH UNION CARBIDE THE POSSIBILITY OF SETTING UP AN LPG PLANT, BUT THIS PROJECT MAY BE HELD UP PENDING THE GOI TAKEOVER.

4. AOC IS THE ONLY REMAINING INTEGRATED OIL COMPANY OUTSIDE THE PUBLIC SECTOR. THE COMPANY'S ASSETS INCLUDE A SMALL WELLS DECLINING IN PRODUCTION (TOTAL ANNUAL OUTPUT IS AROUND 67,000 MT) AND A NETWORK OF RETAIL OUTLETS. THE REFINERY OPERATES PRIMARILY ON CRUDE PURCHASED FROM OIL. THE BOOK VALUE OF AOC'S ASSETS IS REPORTEDLY RS.80 MILLION, BUT BASED ON THE PATTERN OF PREVIOUS TAKEOVERS, THE AOC OFFICIAL THOUGHT THAT THE FINAL SETTLEMENT WOULD LIKELY TO BE CLOSER TO RS.40 MILLION.

5. WITH THE ACQUISITION OF THESE TWO FIRMS, THE GOI WILL HAVE COMPLETE CONTROL OVER THE OIL SECTOR AND SHOULD BE PROMPTED TO MOVE AHEAD WITH THE REORGANIZATION OF THE OIL INDUSTRY AS RECOMMENDED BY THE DAMLE COMMITTEE. ACCORDING TO THE LOCAL CALTEX REP., THE GOI IS THINKING IN TERMS OF THREE LIMITED OFFICIAL USE

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MARKETING ORGANIZATIONS. THESE WOULD INCLUDE THE EXISTING INDIAN OIL COMPANY LTD. CONTROLLING ABOUT 55 PERCENT OF THE MARKET; PLUS THE MERGERS OF BHARAT REFINERIES LTD. (FORMERLY BURMAH SHELL) WITH AOC (30 PERCENT); AND HINDUSTAN PETROLLEUM CORPORATION LTD. (FORMERLY ESSO

WITH A SUCCESSOR COMPANY TO CALTEX (15 PERCENT). WHILE PHILLIPS AND AMOCO CONTINUE TO RETAIN MINORITY SHARE HOLDINGS IN THE COCHIN AND MADRAS REFINERIES, RESPECTIVELY, THESE SHOULD POSE NO PROBLEMS TO ANY REORGANIZATION SCHEME THE GOI MAY HAVE IN MIND.

SCHNEIDER

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Control Number: n/a
Copy: SINGLE
Sent Date: 22-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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